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E.O. 12958: DECL: 06/01/2017
TAGS: [ECON](#) [ETTC](#) [IR](#) [IT](#) [MARR](#) [PARM](#) [PREL](#)
SUBJECT: AFTER THREATENING JSF FUNDING, GOI OFFICIAL
DESCRIBES POLITICAL FACTORS BEARING ON GOI INVESTMENT IN
DEFENSE-INDUSTRIAL PROJECTS

REF: A. EMBASSY ROME-USCG E-MAILS

[B](#). ROME 336
[C](#). 2006 ROME 343

Classified By: Ecmin Thomas Delare for reasons 1.4 (b) and (d)

[1](#). (S) Summary. In a May 21 meeting with Ecmin, Alfredo Cuzzoni, the Ministry of Economic Development official responsible for the Ministry's support for Italy's defense industry, described an Italian defense procurement system constrained by political infighting and limited budgets. Cuzzoni shed light on a kafkaesque bureaucracy obsessed with defense offsets and quid pro quo purchases from foreign defense companies. While Cuzzoni apologized for a threat he made in a May 4 letter to the Embassy to withhold infrastructure funding for the Joint Strike Fighter, he made clear that in his view, commitments made by the GOI at the political level may be subject to later review to ensure they remain palatable to the left-most elements of the governing coalition. Similarly, he noted that GOI commitments to programs which do not meet the political litmus tests of the Ministry's Under Secretary, a Reformed Communist Party representative in the Parliament, may encounter bureaucratic obstacles that delay the programs' implementation. Embassy has already raised concerns about Cuzzoni's unique interpretations of Italian commitments, producing instructions (so far ignored) from the Ministry of Economic Development that Cuzzoni cease contacts with foreign officials. End summary.

BACKGROUND

[2](#). (S) Ref B reported Econ Counselor's February 9 meeting with GOI and Fincantieri officials in which they announced Fincantieri's decision not to pursue additional exports of marine diesel engines to the Iranian Revolutionary Guard under a "gentleman's agreement" with the GOI and Fincantieri. In the same meeting, Fincantieri officials said that in order to offset the loss of sales to Iran, Fincantieri was interested in bidding on the engine subcontract for the U.S. Coast Guard's Response Boat-Medium (RB-M) program. Fincantieri subsequently competed for, but did not win, the engine subcontract being awarded by the Marinette Marine Corporation, the primary contractor for the RB-M program.

"YOU'VE GOT MAIL!"

[3](#). (S) On May 4, Econ Counselor received a letter from Alfredo Cuzzoni, Director of the Ministry of Economic

Development office responsible for the Ministry's participation in the defense sector. (Note. In the GOI budget, the "industrial" portion of defense projects comes out of the Ministry of Economic Development's budget. Cuzzoni's office is responsible for financing GOI industrial participation in the defense sector and for GOI industrial involvement in NATO projects. End note.) In his letter, Cuzzoni alleged that Fincantieri was unfairly denied the RB-M engine subcontract by the USCG and concluded that the USCG's "arrogant carelessness" in its "unexplained decision to exclude us from the engine supply . . . will make the funding of the final assembly and check-out (FACO) facility -- with funds from this Ministry -- at Cameri Airbase even more difficult." The FACO facility to which Cuzzoni referred is a part of the Joint Strike Fighter (JSF) program. Embassy shared the letter with Ministry of Defense (MOD) officials involved in the JSF program, who confirmed that Cuzzoni and his office were in a position to withhold funds for the JSF FACO facility.

¶4. (S) In a May 21 meeting requested by Ecmin to clarify the contents of his letter, Cuzzoni apologized repeatedly for the tone of his letter and his threat to withhold funds for the JSF FACO facility. He told us that MOD officials had shared his May 4 letter with the Ministry of Economic Development's Diplomatic Advisor, and that he was under instructions (ignored) not to meet with any foreign government officials. Cuzzoni shed light on political maneuvering within the Ministry of Economic Development to steer GOI funding away from programs like the JSF in favor of "more European" projects such as the FREMM Frigate and an Italian project with Thales to develop a competitor to the Predator UAV. According to Cuzzoni, cooperative defense projects between the U.S and Italy face an uphill battle within the Ministry

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of Economic Development because of budgetary constraints and because Alfonso Gianni, the Under Secretary responsible for defense issues, for whom Cuzzoni works, is a Reformed Communist Party MP who is opposed to NATO and Italy's involvement with the JSF program. Gianni is a pacifist who wants GOI spending on military programs cut. Cuzzoni stated that Gianni's opposition to NATO is such that he refuses to sign any papers having to do with NATO, including his application for a NATO security clearance.

¶5. (S) Cuzzoni returned to the issue of the RB-M engines, and said that he was under the impression that Fincantieri would have a decisive edge in bidding for the engine subcontract because of its decision earlier this year not to pursue the export of similar engines to Iran. Ecmin replied that the USG does not engage in that type of quid pro quo, and that the USCG played no role in the decision by Marinette Marine, the RB-M's manufacturer, to use engines other than those made by Fincantieri. "The Coast Guard bought boats, not engines, and it was up to the individual boat manufacturers to choose the engine which they thought would best meet the RB-M's requirements." Cuzzoni, who refused to make eye contact through the hour-long meeting, then began a detailed and bizarre description of defense offsets that, in his mind, were intended to balance one another and reward industrial partners for their participation in one program or another. In response, Ecmin restated his earlier point, that the USG does not engage in quid pro quo arrangements, and that Cuzzoni's theory of a interlocking system of defense offsets in unrelated contracts was misplaced at best.

¶6. (S) Cuzzoni moved on, noting that that under the current tight budgetary environment it is difficult for his office to find funding for military programs unless those programs have clear benefits to Italian industry and the Italian economy. The governing coalition's one-vote majority in the Senate means that defense-industrial projects have to pass a high political hurdle before they can be approved. This is why the JSF program, which is seen as an "American program" by many far-left parliamentarians, is problematic for Cuzzoni's

office. That said, he understood that Italy will benefit from JSF participation and construction of the FACO, and said he would do what he can to find the funds needed for the program to move forward. He added, however, that he will have to be "discrete" in order to avoid attracting the attention of Under Secretary Gianni and Cuzzoni's immediate superior, Director General Andrea Bianchi, who is also opposed to U.S.-Italian industrial cooperation in the defense sector.

¶17. (S) Ecmin responded that while he understands the financial constraints that the GOI faces, the GOI has made commitments at the political level to invest an additional one billion dollars in the JSF program, bringing Italy's total JSF investment to two billion dollars. Additionally, the GOI has committed to a schedule for the construction and activation of the JSF FACO facility, to which we expect it to adhere. Ecmin noted that the FACO facility, which the GOI plans to use as a JSF maintenance depot after the aircraft's initial delivery, will employ thousands of Italians and have a positive impact on the Italian economy in the range of nine billion dollars. He concluded that other JSF partner countries would happily take on the FACO project if Italy is unable to fulfill its commitments. More generally, Ecmin noted that Embassy efforts to encourage investment in Italy will be undercut by a GOI decision to walk away from its JSF commitments. Cuzzoni said that he understood all of these points, repeating his earlier point that he would do his best to fulfill the GOI's commitment to fund the construction of the JSF FACO facility. Almost as an aside, he noted that the money "would have to come from somewhere" and that he hoped the Ministry would be able to find the funds needed to fulfill commitments made in connection with the manufacture of Boeing 787 "Dreamliner" components in Italy. (Note. We believe Cuzzoni is referring to infrastructure upgrades the GOI has committed to in support of the Italian manufacture of 787 components. We are following up with Boeing on this matter. End note.)

¶18. (S) Comment. No cable can do justice to Cuzzoni's May 4 letter, which was alive with bolded, italicized, and underlined text, and replete with references to obscure international treaties and Cuzzoni's childhood vacations in Normandy. The letter was more akin to a ransom note than correspondence from another government. That said, we had

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reason to take Cuzzoni's letter seriously. Cuzzoni was previously a reliable Embassy contact, and well-placed contacts in the Italian MOD have noted that Cuzzoni, with 30 plus years' experience in his office, can withhold funds and generally make life difficult for defense contractors if he chooses to do so. Contacts in the MFA with whom Ecmin spoke subsequent to his meeting with Cuzzoni dismissed the threat against the JSF FACO facility as laughable, noting that the GOI has made commitments at a political level that Cuzzoni cannot reverse. Our MFA contact noted he has "a drawer full of Cuzzoni's crazy letters," and that because of previous problems, Cuzzoni is no longer allowed to correspond directly with Italian Embassies overseas. We received a similar reaction at MOD.

¶19. (S) Comment continued. His possibly exaggerated threats against the JSF program notwithstanding, Cuzzoni's observations about the rubric through which the Ministry of Economic Development views our defense cooperation are probably valid. As we pointed out in ref C, the GOI views defense cooperation as a means through which to promote technology transfers and economic growth. Cuzzoni's description of political forces driving his Ministry's decision-making process highlights the fact that now more than ever, defense industry projects in Italy need to have an economic justification in addition to a military one. If a project is seen as not paying for itself, the project could be scaled back or cut unless the GOI and Italian industry can be convinced that the economic benefits of participation

outweigh the costs. End comment.
Spogli